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2. Comment on Pathet Lao-royal government talks:

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There is little indication that the royal Laotian government intends to take a more vigorous line in renewed talks with the Pathet Lao delegation which arrived in Vientiane on 12 April. No important results have been reached since the talks started in early January.

Nhouy Abhay, senior government negotiator, plans to submit to the Pathet Lao a "reasonable proposal" which he believes will be accepted if the Pathet Lao are "true Laotians." But he states that in any case there is no need to hurry

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the negotiations, in view of the government's recent protest to the International Control Commission and the fact that the problem will be raised at Bandung.

The government is relying heavily on its strongly worded complaint to the international commission to produce some action and a solution to the problem. There is little reason to believe, however, that anything conclusive will result from this tactic, and in fact further time probably will be gained by the Communists in which to expand their organization and firm their hold in the north.

Premier Katay in a talk with Ambassador Peurifoy in Bangkok on 13 April maintained that the discussions must continue until it is apparent to all Laotians that the Pathet Lao are unreasonable and Communist-dominated.

SOUTH ASIA

3. USSR reportedly will not intervene in Afghan-Pakistani dispute:

According to the American embassy in Kabul, the Soviet ambassador told the Pakistani first secretary on 14 April that the Soviet Union would not intervene in the Afghan-Pakistani dispute unless the Western powers did so.

Comment: This is the first report of an official Soviet statement of intentions regarding the Afghan-Pakistani dispute. The ambassador presumably was trying to persuade Pakistan not to seek Western support against Afghanistan.

EASTERN EUROPE

4. Comment on purge of Hungarian party leaders:

The expulsion announced on 18 April of Premier Imre Nagy and fourth-ranking

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[redacted] party member Mihaly Farkas from their party and government posts is probably the beginning of an extensive elimination of "right-wing" elements by party first secretary Matyas Rakosi. The ouster of Farkas, who has long been closely associated with Rakosi, indicates that more than a struggle between Rakosi and Nagy is involved. It is unlikely that the expulsion of the two men will be sufficient to close the breach that developed within the party during Nagy's premiership.

A reliable source has told the American legation in Budapest that Rakosi flew to Moscow on 14 April, apparently immediately after the central committee's decision to oust Nagy and Farkas. If true, this suggests that Rakosi is continuing to face strong opposition within his central committee and felt it necessary to get the Kremlin's approval before publicly announcing an unpopular action against Nagy and his "right-wing" supporters. Rakosi reportedly got the support of less than 20 percent of the Hungarian central committee for his original attack on Nagy in early March.

The new premier, 32-year-old Andras Hegedus, has been first deputy premier since July 1953 and acting premier in recent weeks. He, like Nagy, has been closely associated with problems of agriculture, and has co-ordinated the regime's agricultural policies since October 1954. [redacted]

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WESTERN EUROPE

5. Austrian officials give further details on Austro-Soviet talks:

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[redacted] Austrian foreign minister Figl and State Secretary Kreisky told the Western ambassadors in Vienna on 16 April that under the terms of a memorandum signed by the Austrian delegation in Moscow, an Austrian declaration would be issued after the conclusion of a state treaty pledging Austria to behave "in a neutral manner comparable to Switzerland." The memorandum, which did not commit the Austrian government, also stated that the four occupation powers would be asked to take some formal recognition of such a declaration.

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The Austrian officials on 16 April had no clear idea of the next step and did not know whether the USSR would send the West a note on the Austrian question. They now tentatively plan to call for a four-power conference on 27 April. Kreisky said he considered it important that the West react promptly and in a "concrete" manner; he thought a call for a meeting of ambassadors in Vienna would be the best procedure.

Comment: The Austrian-Soviet communiqué issued following the Moscow talks revealed that Austria was committed to a policy of "independence," but concealed the apparent Soviet success in getting a pledge of "neutrality."

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THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington
up to 1100 hours 18 April 1955.

1. No significant activity has been reported.

